

DEAN F. ANDAL

Vice Chair, Board of Equalization



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American Electronics Association Endorses Andal's Proposal to Limit Tax on the Internet

(Stockton) -- Dean Andal, Vice Chairman of the Board of Equalization and Member of the U.S. Advisory Commission on Electronic Commerce, received the endorsement of the American Electronics Association (AEA) for his proposal that seeks to prevent states from taxing Internet transactions. "I am delighted to have the leading electronic trade association, representing 3,000 high-tech companies, endorse my [proposal](#)," Andal stated.

Andal's proposal addresses how the Internet should be treated for tax purposes by creating a uniform national jurisdictional standard for taxing electronic commerce. It creates uniform rules defining what activities allow a state to tax or impose collection responsibilities on out-of-state businesses. It also provides a list of specified activities that an out-of-state business can conduct within a state that will *not* subject it to taxation by the state in which the activities are conducted. The Andal proposal applies to *all* state taxes and is not limited to sales taxes or Internet transactions. The activities listed in the Andal proposal as not creating tax nexus are: solicitation of orders or contracts, shipment of goods, presence of intangible properties (e.g. patents, copyrights, trademarks, logos, digital signals, web pages, etc.), the use of the Internet, ISPs, or servers, the affiliation with another entity, the use of an unaffiliated representative or independent contractor. Hence, if an out-state-business (i.e., a business with no property or employees in the state) conducts any of the above-enumerated activities in a state, those activities cannot be used by the state to create jurisdiction to tax or collect tax.

Andal noted his proposal has also been endorsed by Apple Computer, Inc.

(A copy of the AEA endorsement letter is attached)

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